



**AxisofEasy Salon #18:**

**The Endgame of Financialization Resembles a Philip K. Dick Novel**

Mark Jeftovic, Jesse Hirsh, and Charles Hugh Smith

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**Mark Jeftovic:**

History is not only written by the victors, it's written by the survivors.

**Jesse Hirsh:**

Yes. By the copyright holders.

**Mark Jeftovic:**

I was telling you about the Barracuda track that has been making the rounds; Nancy Wilson on guitar, the guy from Extreme, put it together, the drummer for the Foo Fighters, and some singer who I can't — Liv Harper or something like that. Amazing vocals.

But I put it on Facebook and I tagged my old college prof Terry McManus from Music Industry Arts, and he messaged me on Facebook right away. He said: Call me, I got to tell you the Barracuda story. And I remember he told us the Barracuda story in first year about how that song was about their manager, and the whole Machiavellian interplay between Heart and the manager, and the acrimony, and the toxicity; and the guy finally died of a heart attack.

I won't tell the entire story, but then the band took out this full page ad in Billboard. It's like, RIP Shelley, we're gonna miss ya. The whole song is what Barracuda is all about.

**Jesse Hirsh:**

Wow.

**Mark Jeftovic:**

Although I think when I hear Terry's rendition of the story, I think he is very sympathetic to Shelley; but you know, the history is written by the copyright holders and the victors, so...

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#### **[opening theme]**

#### **Mark Jeftovic:**

Welcome. Welcome one and all to AxisofEasy Salon Number 18, recording on August 20th. And I'm here with Jesse Hirsh from the Ottawa Valley, Charles Hugh Smith from the Big Island in Hawaii. And I'm Mark Jeftovic here in Etobicoke, west side of Toronto.

And what would you guys like to talk about this week?

#### **Charles Hugh Smith:**

Well, let's pick up on that Barracuda story and talk about scarcity and overabundance, because the story of the rock and roll era is, to some degree, a matter of scarcity. That what was scarce was a record contract; and so endless numbers of bands got a very lousy deal because they were so desperate for that record contract that they signed away. I'm thinking famously Janis Joplin's group. I think they were paid something like 5,000 bucks for their first album, and that was it. No royalties and so on.

And so now, we have a different world, right? In other words, anybody — and as you're describing, it sounds like the technology is going to increasingly open more doors for collaboration and marketing yourself and your own brand. And so the gatekeepers are still out there. Try writing a book and getting a review. The publishing world is the last medieval institution that has a lock on the mainstream media. You're not going to get any coverage if you self publish, but it's different in the music industry. So I'm sure you guys have a lot to say about that. So what's abundant and what's scarce because value goes to what scarce is a general rule.

#### **Jesse Hirsh:**

I think that's a fantastic frame, although I'd push back a bit. That while I agree a hundred percent that the publishing industry aspires to be the pier of Gutenberg rather than evolve with the times, I think the scarcity that exists throughout the entire cultural industries is attention.

Anyone can create art, anyone can create media, anyone can create content, but getting people to pay attention to your creation is I think where the gatekeepers continue to play a

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role, and where scarcity has a very important role when it comes to how we think of value and how we think of price.

And the notion of what's abundant, I think, is really quite neglected. That's why I liked the frame. I think we, as humans, are kind of conditioned to focus on scarcity. I think that's been one of the subtexts of the pandemic; that everyone's focused on toilet paper, on flour, on lumber, on whatever is scarce in that moment.

Apparently, right now – I keep bringing this up every few episodes – that if only we could anticipate that next scarce or that next surge demand product, we'd be rich. And I just realized what it was right now. It's laptops that the back to school rush, and especially the back to school with anticipating that it's going to be at home has created a sudden shortage in laptops. But if you want to buy a laptop right now, unless you go into the used market, you're going to find yourself out of luck. And it speaks to the kind of herd mentality that the pandemic has reinforced or exacerbated.

But to go back to your point, Charles, I think we don't spend enough time looking at abundance and looking at what advantages there are within that realm of abundance. And I think there's two sides to this. On the one hand I'm fond of Marshall McLuhan's idea that when something becomes obsolete, it proliferates. So for example, paper is arguably obsolete, and we seem to have more paper now than we ever did in terms of how easy it is to print it. So it often begs the question of not just what's in abundance, but maybe what's in abundance is itself obsolete. And that's why it is in such great number.

But of course the other side of abundance is digital; and how digital makes copying something incredibly easy. And Mark and I often have debates around the politics of the Streisand Effect. That as soon as something is perceived as being scarce, it tends to grow in abundance because people are so determined to make sure that it exists in abundance. But again, I think there's a real economic opportunity, real business opportunity, in terms of understanding how to work with abundance. And I think that's something that I personally, but we, as a society, don't put enough attention into in terms of recognizing what we can do with that, which is in abundance, instead of always focusing on that, which is scarce.

#### **Mark Jeftovic:**

I don't know what to talk about first between the two of you, it's set off so many things in motion for me because my life's dream as a teenager was to get a recording contract, right? To get a record deal. And we thought if we got a record deal, our problems are solved. Like, that's it. The days of struggle are over, because you get a record deal and the big powerful record label

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just presses a button, and you're rock stars. And the rest is just showing up for gigs and trashing hotel rooms. It's easy from there, but you know –

#### **Charles Hugh Smith:**

And recruiting another drummer when you're drunk who dies of a drug overdose.

#### **Mark Jeftovic.**

Right. Chokes on his own vomit or spontaneously busts. Yeah. But you know, the way that bubble burst for me over the years was just almost heart-wrenching.

I was on a via train from London to home, I guess Cambridge, well, Kichener. This was when I was in music industry arts; and I meet this band on the train, and I'm talking to them and they're saying: Yeah our van broke down, and so we schlepped all our gear via train, and we're trying to get to a show in Toronto. And do you have any money? Can you like bias some dinner? And they were just totally broken. I'm like, well, what's the name of your band? He goes, well, I don't know if you've ever heard of us. We're Jonathan Richmond in the Modern Lovers. And I was like 18 at the time, but I knew who they were. And I mean, Jonathan Richmond, road runner road runner going thousand miles an hour...I'm getting blank stares from you guys. You don't know who Jonathan Richmond was, neither of you?

Okay. So I have to edit this story right out of the thing. Anyway, for me, I was like, this is Jonathan Richmond. Why aren't they being chauffeured around in limousines? Why are they on a via train from London to Toronto instead of getting a stretch Rolls Royce Phantom taking them there?

And I was only 18 at the time I was in college, like a year early. So I had no idea how the world was working. But Terry, who I was telling you about before we started rolling Jesse, the guy who was telling me about the Heart Barracuda story, his course was worth the price of admission for me all through Music Industry Arts, because for two years we had to study music industry contracts. He taught the contracts. And so we would go through recording industry contracts – real ones – clause by clause, for two years. And he would give us these like these total amazing nuggets of information. Like nobody expects you to sign the first iteration of a contract. Don't ever do that. And if you do, you're a moron. And so some bands are so desperate, they would just sign the first iteration of the contract like Janis Joplin or the other one was a new one – Blue Monday. You guys have heard of that song, right?

Well their contract, I don't know, I think it was intentional, but the math of the formula in the contract, they ended up owing the record label 50 pence for every copy they sold. And of

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course, Blue Monday became a gigantic hit, and it bankrupted them now. I mean, the story itself, as I tell it now, sounds urban legendish, but that was always the way it was explained to me.

But then, fast forward to today, when I wrote my first book, it was important to me to have it published by a major publisher. So it came out on packed and my wife is trying to write her first book, and she self publishes, and we put our books out about the same time. And I was almost condescending to her. And that's not the word I'm looking for – saying: Hon, you got to find a publisher. I know it's hard. You go through a lot of rejection and stuff, but you should really try to get published instead of self publishing. And she just kind of gives me the look like how's that working out for you? Because my big complaint was my publisher just basically put out the book, and I never heard from them again. I still haven't heard from them again. Four times a year, I get like \$25 deposited into my bank account. And that's it. Nothing has ever happened on that book. And it just completely dashed my visions of how to me, I thought this is like the equivalent of getting signed by a major record label. My first book, I get picked up by this publisher, and this is going to be great. And that's exactly the opposite of what happens.

So I don't even know what the point to any of that was. And I've lost my train of thought. So I'm going to drop back yards and punt.

#### **Jesse Hirsh:**

I think there's two clips points. One, the media industry is one big myth, one big fat lie. And number two, we all have a mystique that we associate with economics. I think you described the cultural industry, but look, I think people have those same myths when it comes to banking. I think they have those same myths when it comes to every single sector at the top of that myth; is the myth of competence, right? It's the myth that these industries know what they're doing, and they can make you a star overnight.

And the second myth is that they do stuff, when in fact mostly what they do is just pocket the money. Like it is highly exploitative. They are not interested in making you a star. They are interested in robbing your themes and take whatever money, whatever value they can from your products.

And that's where I found my first trip to Los Angeles so incredible, because on the one hand, it felt like I was in TV because so much movie television uses Los Angeles as a set. So as soon as you're there, you kind of feel that you're in TV. But then I was shocked at all the servers and restaurants. The valets, the service class, were the most attractive people I'd ever seen in my entire life. And Oh God were they miserable. And it made me think that Los Angeles is where dreams go to die. That's where people take their hopes. That's where people take

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their dreams. And for the vast majority of them, they do not come to fruition, because to your point about Johnny Richmond and crew, either they're hustling so hard that they're barely making ends meet, or they're the ones who were meeting Johnny Richmond going: Oh my God, this is what I can handle it.

And I think that's what's fascinating about the internet; is that the one hand, I think it does legitimately demystify all of that. Then if you want to seek the truth, it's there, but there is still a fundamental human drive to create. And that is a resilient or redeeming aspect of the internet. That there's so many amazing talented people creating great stuff, but the tragedy is, most of them are broke and, and there isn't for the majority of the economy that can support them. And I think that's a whole other conversation when it comes to what's missing.

This is where maybe I'll be you, Charles, because we didn't get to it last week. And I'm curious to hear your thoughts on Uber and Lyft, and what's happening in California and the kind of whole sharing economy stuff. Because I feel that it is not a parallel, but adjacent to what we're describing right now in terms of the fate of the creative industries that the creative industry used to have these gatekeepers that controlled the whole industry.

Now they're still our gatekeepers. They're called Google and Facebook. And you know, they're the algorithms and platforms that control attention, but it is a much different ball game. And so I'm curious for us to get into the sharing economy, it's myths, it's reality, and the regulatory or state response, but to do so with the thought in the back of our head of what can we learn from all of this, and apply that to the cultural industries.

Because I could, on the one hand, see an argument saying the cultural industry needs Uber. It needs a network player that connects artists with consumers and makes it really easy for the artists to get paid. And you could argue that Shopify – they're being paid fractions of a penny every day. Doesn't make the money, but that's super the same way that Uber drivers get paid peanuts. Again, maybe I'm stretching to make a connection, but I sense that there is one there.

#### **Mark Jeftovic:**

I'm going to just quickly – Bandcamp was a better idea than Shopify in the sense that they were still selling by discreet units. So if you actually had a successful song via Bandcamp, you could maybe make a bit of money off of it. But if you had a billion streams on Shopify, it drives you. It's that race to the bottom that so typifies the unicorn economy.

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**Jesse Hirsh:**

And to your point, there have and are many alternatives to Uber. Some really remarkable blockchain based ones that really maintain the value of the driver, but Uber is Uber because might is right. Because billions of dollars of venture capital give you a huge advantage.

Alas, we digress. Charles?

**Mark Jeftovic:**

I want to stick a pin in that because I want to explore the blockchain one. Cause I don't know if any actually made it off the ground.

Go Charles.

**Charles Hugh Smith:**

Well, that's a great topic, Jesse. And it does tie in what I heard you and Mark saying to some degree – was we have a very interesting paradox here that if you are a creator who can create your own marketing, in other words, you're also a master marketer, then you can whip up like a Patreon edge, right? And there's lots of people on Patreon who you kind of go: Wow, this guy's making like quite a bit of money writing about Royal Caribbean cruises, and aren't those dead? Or you know, anime. Or it's like, so if you can develop, if you're a marketer, now you're a brilliant marketer as well as a brilliant creator, then the world that the doors are open to you. But if you're like a creator, like many of us, what the hell is marketing? Why do I have to do marketing? What is that?

**Jesse Hirsh:**

I see your point though. I think that there are a lot of marketers who aren't the greatest creators who were finding fantastic success.

**Charles Hugh Smith:**

Yeah, exactly. But it's because I was thinking about just the other day and I'm going to tie this together as difficult as that may look.

Okay. The film Total Recall, remind me of the author's name.

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**Mark Jeftovic:**

The author? I mean, the star was Arnold Schwarzenegger but the author was um...

**Jesse Hirsh:**

I think it was Colin Farrell. Yeah.

**Charles Hugh Smith:**

No, it was a famous science fiction guy.

**Jesse Hirsh:**

Philip K. Dick.

**Charles Hugh Smith:**

Yeah. Phillip K Dick.

**Mark Jeftovic:**

Was it Phillip? Phillip K. Dick wrote that?

**Charles Hugh Smith:**

Yeah. Okay. He wrote the story that was based on –

So, here's a guy that was pretty much crazy by the end of his life. He lived in a walkup apartment somewhere in crummy part of LA, but he made a living selling screenplay ideas basically. And he sold stories to this whole pulp fiction science fiction genre, which was powerful enough that a lot of people that were marginalized by the regular creative industry managed to scrape out a living selling stories. And so to some degree, that whole genre and

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big magazines that would pay people quite a few thousands of dollars, all that's kind of gone, you know? And so it's harder in the sense that there's fewer established conventional media sources that pay you enough to make a living.

So then that's in decline, right? I mean, it's very hard to freelance. Yeah. Pretty much wiped out. So then you're left with developing Patreon and all this kind of stuff.

And so back to your point about Uber, the thing I always think of is okay, labor and capital. I know that's kind of a Marxist kind of point of view, but it's also classical capitalism. And so right now, capitalists' over abundance, big companies and financeers can borrow stuff at almost zero. So it's capitalist over abundant.

Well, because of globalization, labor's also over abundant. If it's tradable – in other words, if like – say digital editing of photos. You can have that done by people for almost nothing now because it's tradable. It can be done anywhere on the earth with basic tools. If you want your boat trailer welded or that roof leaky roof fixed, well, that's not tradable, right?

So then it becomes like, well, this whole thing of scarcity and abundance conventional. Labor's also abundant. Now in other words, if you have minimal skills and minimal experience, there are millions of people that you're competing with, and that's why the Lyft and Uber drivers don't have any leverage because their skillset is abundant. And so, whereas if you're a, you know, a top notch welder, you can, you know, you have leverage because there's just not that many of you.

And so I think that this is the worst of all possible worlds, to use Mark's phrase of the race to the bottom. Over abundant capital can then access the network effect, which is the fundamental value creator of all these platforms. It's like, well, you know, who can argue with us? We have a billion users, right?

And so that once you scale up and get that network effect value, then you get enough money that you can buy political protection and all of this stuff. So it's like the worst of all possible worlds with capital over abundant. And then labor – conventional labor, low skill, is also over abundant globally. So then it's if you have regular capita, I like money in a savings account and that earns nothing, and if you have conventional labor skills and also earns very little, and as you say, the low wages.

The last twist I want to bring in here is this thing that Mark wrote about which is the externalized costs. So Uber and Lyft and the entire gig economy basically offload all the real expenses onto the tax payer or the government. So if the Uber driver doesn't make much that day, well, then he's going to get here in America food stamps, and his kids are going to get free school lunches and all this kind of stuff. So it's basically the taxpayer or the government has to fund what Uber

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and Lyft refuse to pay. So that it's like the socialization of costs. It's like profits are privatized, expenses and losses are socialized. And I think that's part of what people sense is so unfair about the gig economy. Now we know that the news right now is Uber and Lyft were given a reprieve by the courts, and now everyone's cheering. And it's all like, I feel depressed, frankly.

**Mark Jeftovic:**

When did that happen? Because just two hours ago, I heard Lyft was going to shut down at midnight tonight.

**Charles Hugh Smith:**

Yeah. Like an hour after that, some court granted them a reprieve. And now it's going to go into who knows how many months or years of litigation.

**Mark Jeftovic:**

So I took some pushback for writing that article because I think everyone expected me because I'm the right of center libertarian, right? Small government guy, everyone was expecting me to write that decision as yet another government interference into the free market, and how dare they.

And I'm like, this is not a free market. And to everything you just said that it's just this complete – if every business in the given jurisdiction, it has to function under these same onerous terms. If you want to call them onerous. Too much taxes, too many entitlement programs, whatever, if you want to say it, then everybody's got to play by those same rules. And if the rules are wrong, then something has to happen to do something about those rules for every player in the field. But for Uber and Lyft, it was the height of just self-importance and lack of awareness, especially the CEOs op-ed in the New York times saying there's gotta be a third way, some kind of third way for gig economy workers.

The CEO who took a \$45 million pay package last year who was queuing up, trying to get federal bailout money when the Corona virus hit is pontificating. That there's gotta be a third way for gig economy drivers. It's like, no, there doesn't have to be a third way. You've got to

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create a viable business that actually stands on its own two feet, like any other grown up business does. Anyway, I'm starting to just do the same rant that I put into the article, but –

**Jesse Hirsh:**

No, but your point is, I think most people miss the Silicon Valley dynamic is that they evaluate Uber as if Uber does not a creature of Silicon Valley. That Uber is not enabled by the billions and venture capital that had access to. And that it was never about creating a viable business. It was about destroying other businesses. It was the boat monopoly. Cause that is business.

**Mark Jeftovic:**

And that is the key point. And that's what that was like my emphatic point is these businesses are not created to be viable businesses. And everyone will say, well, look at Amazon. Amazon lost money for years. And look at them now. They're printing money. It's like, okay.

**Jesse Hirsh:**

Actually, they're still losing money.

**Mark Jeftovic:**

Yeah. Yeah.

**Jesse Hirsh:**

I mean, Amazon web services is making a crazy amount of money.

**Mark Jeftovic:**

Yes.

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**Jesse Hirsh:**

But the rest of it is a monopoly deliberately undercutting the competition for the purposes of acquiring power.

**Mark Jeftovic:**

And every –

Sorry, go ahead.

**Jesse Hirsh:**

No, it's just going to say –

I mean, the part of what is so frustrating, and I think what pisses you off but also is why you get the pushback you get, it's the media, right? And the way in which not just Uber, but Silicon Valley intimidated and bought the media. So that up until the last couple of years, there was never anything critical about Uber. There was never anything critical about Facebook, about Google. These were all the PAX Americana. They are the future literally. And who are we to doubt them?

And it was reflected in the media. It's then adoption of the phrase Uber of X. So the Uber of hotels, Airbnb, the Uber of like everything you could imagine. There were some startup claiming to be the Uber of that, not because Uber was a sustainable business model, which it never was, but because the media had synonymized Uber with the future, and therefore anything that used that phrase the Uber of X, was the future of X.

And it was all just a con. It was all just one big, huge con. And we're not even talking about the environmental effect of Uber. There's fascinating research that shows Uber substantially increased congestion in the cities that it was active in because it wasn't a situation of people not driving or carpooling because their Uber. It was a situation of Uber wanting to be so responsive that they would mandate cars on the road driving without any purpose. So they'd have no passenger, no direction, no reason to be driving, but Uber wanted them to be within five minutes of any potential customer, so they would have these drivers driving around, not getting paid. Because the driver only gets paid for the ride, but substantially increasing in congestion and air pollution, just for the convenience and the responsiveness of Uber as a service. And that's just one among many of the social and economic impacts of this monster company, because that's what monsters do.

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Every step they take leaves a huge impact. And I think we're only now getting out of the euphoria of Uber and the propaganda of the sharing economy to go: Well, maybe there's a better way of doing things.

Which to your point about blockchain, blockchain always offered an alternate vision, always offered a promise of something different. But as we discussed with Adam, the connection between that and reality was often missing. So many of these apps just never got off the ground. They never became viable. And that brings us back full circle to where we started this conversation, which is if you get signed by a record company that doesn't make you a rockstar, if you get published by the publishing company that doesn't make you an accomplished author, that there is still a scarcity of attention. How that attention is allocated is an entirely different political economy. And that's why Uber spent the billions upon billions they did, because that's what it takes to get market share. Not having a better product, but really deep pockets and the will to use them. And I think that's what a lot of people miss when they think about what it takes to be successful in the attention economy that we find ourselves in.

#### **Charles Hugh Smith:**

Yeah. Mark, can I jump in here? I just want to say two points about Uber. Jesse, I think you nailed it earlier when you were talking about the mythology of Silicon Valley. Like the publishing and the music industry. Silicon Valley has an extremely tightly scripted mythology, right? It's all about Steve jobs and Wazniak starting their little company in the garage, and it's all so wonderful, and we've all benefited from their genius, blah, blah, blah. Nothing about the monopoly.

So let's talk a little bit about monopoly because I think it's important; is the old idea of monopoly was like standard oil. Alright, you owned this resource and the assets to extract and distribute the resource. And so that was a monopoly over the supply, right? The demand was inevitable.

Well now, we have a monopoly that's based on these platforms, monopolies based on basically the network effect. They don't have to do whatever they do better. They don't really own anything. And so I think, in a way, it's harder to regulate something that's based on the network effect. And so and that's partly why Uber – the whole race now is scale up so that you become the whale. And you're eating everything else in the ecosystem.

So how do you regulate that? And what are you regulating? I don't have a quick answer, but I think that's – we talk about monopoly. It's definitely has an economic impact, but the nature of monopoly, I think, might have changed or there's a second type of monopoly.

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And the other thing I want to mention is that the whole thing with Uber and Airbnb – all of this kind of that's those sectors, the idea was capital can come in and monetize an asset, which was not yet financialized. So there was all these empty apartments and flats laying around and: Oh, well, let's monetize those. We don't have to buy them. We're just going to basically access that asset because we have scale. We got the network effect, and we'll monetize those assets that other people have to risk their money to support and own. And so Uber is the same way. We don't have the expense of the car, or health insurance, and that stuff we're going to monetize somebody else's assets. So again, financialization is now, I think, consumed the seed grain. There's nothing left to financialize, and this is the race to the bottom. So I'm going to propose the Uber of derealization.

#### **Jesse Hirsh:**

I was going to say, be careful. I mean, the moment you say there's nothing left to financialize, what you fear the most would be financialized. Then I think that the point of your argument that it was the virus, right? That the logic of financialization was the end unto itself. And the sharing economy was just the latest frontier far from the last frontier, but the latest frontier which that process happened.

#### **Mark Jeftovic:**

There is nothing left to financialize except for financialization itself. But I trace this all back to – I probably sound like a broken record, but if interest rates weren't held at 0%, and if we weren't printing money like crazy, and we never bailed out anybody in 2008 or 1998, if we never did any of that, then these technological shifts in the way things are configured would have happened. But I don't think there would have been that liquidity to just say: Oh, you know what, we're just going to throw \$200 million into these five network platforms and see which one catches. That kind of calculus wouldn't be a thing, but it is a thing. And that's why for every Facebook that makes it, there's a bunch of others that didn't, but they're all just propped up by the same zombie economy to just sort of see which one takes it. And it is a race to the bottom. And I do have this sense that we are closer to the end of this story that we are to the beginning. But I have been saying that for a very long time.

So I was a believer when Uber first came out, I loved the idea. And some of my friends were very upset about the way Uber flaunted government regulations. And I liked that about them. I'm like: yeah, fuck the government. But it would turn for me was when they started to talk about their movement towards self driving cars and putting autonomous vehicles on the road. And then I realized that the logical extension of Uber logic is to have a bunch of zombie cars out on the road, driving with no drivers, serving a zombie economy, and everybody just

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stripped of gainful employment and economic value in their life. And that was the logical extension of the Uber-fied economy.

Is that an awkward pause? This is where we wrap it up for the day?

**Charles Hugh Smith:**

No.

**Jesse Hirsh:**

That was a meditative pause.

**Charles Hugh Smith:**

I was waiting for Jesse. Immediately I think of the film Total Recall because there is a robotic driver there in this slave mines on Mars. Elon Musk was not in the film. He was –

**Jesse Hirsh:**

I remember there were two versions of that film.

**Charles Hugh Smith:**

Director's Cut?

**Jesse Hirsh:**

No, no, no, no.

**Mark Jeftovic:**

No. Yeah. The first version was with Arnold Schwarzenegger and then it was remade with Collin Farrel. I've never actually seen the second one.

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**Jesse Hirsh:**

It's entertaining.

**Mark Jeftovic:**

Yeah.

**Jesse Hirsh:**

I mean the first one had an aesthetic unto itself because of the time, versus obviously filmmaking has advanced considerably. But what was interesting about the second is it wasn't Mars per se. It was all told within earth. So the politics of the second one, I thought were far better than the first, but the first one was probably a better movie overall.

**Charles Hugh Smith:**

Well if I can bring up this idea of network effect and kind of tie it back to Tiktok which is like the drama that keeps giving. I mean politically, it's like in a way, the race here for creators marketers and those few people that wear both hats, or creators who are trying to market themselves as the only avenue to try to make a living at their creativity. It's you got to reach a certain scale. And so I'm sure you guys know this, but I don't know how many in the people that are watching or listening know that platforms like YouTube have their own – all the algorithms are tuned to scale. So if you get like 10,000 views on our listens or whatever on a platform, you're gonna make like 12 cents. And then if you get a hundred thousand, you're gonna make like a dollar twenty, but if you get like a million, suddenly, you're gonna make like 300 bucks. In other words, you just –

**Jesse Hirsh:**

You're sill off few decimals, I would say the million was the 30 cents, a hundred thousand, you know –

You had the right idea, but you were still being way too generous.

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**Charles Hugh Smith:**

Okay.

**Mark Jeftovic:**

None of us have ever had a million views of anything on YouTube. So what, we're just all speculating at this point, right?

**Jesse Hirsh:**

No, no, quite the opposite. This is a well studied field. Many creators are very transparent with their stuff. I can tell you quite authoritatively that your initial set of numbers were far too generous. That in fact, people are getting paid quite a bit less than that.

**Charles Hugh Smith:**

Okay. So add two zeros to that. My sequence, but even like in ad revenues, now the ad industry has been destroyed for most websites and blogs and so on. It's very difficult to earn – and that's a collapsed that most people may not be aware of . The blogosphere had an economic foundation in display ads, and there were lots of people that made like a couple thousand dollars a month off of audiences that were in the hundreds of thousands – something like that. And that's all vanished. Almost everybody that I personally know, their ad revenues have dried up to the point where people have just dropped out of adsense. It wasn't worth it. \$67 a month or something, and that's a 90% decline, et cetera.

But if you still have an ad thing and you get to a certain point, you go: Wow, my ad revenue has actually jumped up. And it was because your traffic reached some kind of level that the algorithms started giving you a penny instead of a 10th of a cent. And of course, all that changes constantly. So we were helpless to creators. But it's one of those black box algorithmic things that we've often talked about. That is completely obscure to those of us who I guess were like rolling. We're the slaves in the galley, right? So, yeah. Anyways.

**Jesse Hirsh:**

Let me push back a bit and object to you're suggesting that we're helpless. I would argue that to the slaves on the galley or the surf, the state that they're helpless when they joined the gallery, they're helpless when they joined the state, but a creator doesn't have to do that.

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I think part of the mythology is the hedgeman of the business model. The way in which YouTube, the way in which all of these platforms make it seem as if they're the only game in town. And if you want to be a creator, if you want to be a part of the cultural industry, this is the only game ramit. And I think that's why it's important. Mark mentioned Bandcamp earlier, because there are alternatives, and there are other ways in which creators can make a living. And most importantly, there are other business models. And quite frankly, I think that's where there is such a narrow thought or a mindless conformity to the way in which people perceive how they can make money as a creator.

And you don't have to look very far to find inspiration, because to your point about the both fractional economy that exists say on YouTube, but also the tiered economy. That once you get to a certain status, you do make more on a pro-rata basis than the unwashed masses, but even then, it's still nothing. So if you look at the top "influencers", they don't make money off YouTube. They make money off merchandise. That's where they're making the money. Is they're selling t-shirts. They're selling sweatshirts. They're selling products that have a high margin that they can then work with a partner; i.e. a vanilla provider, a wholesale provider, and then act as salespeople essentially, in which once they've gathered people's attention, they sell them chatchka. They sell them merchandise, and that's where they make their money. And I think maybe we'll flag that as a discussion for a future day of what are the actual business models in the cultural industry, because they're overwhelmingly not culture itself, right?

You're not selling music, you're selling a live performance. You're not selling a TV show, you're selling the merchandise for the TV show, right? It's remarkable how there is that kind of duality, that kind of Venn diagram in which in the overlap that a profit is to be found, not in the actual industry that you want.

And I think Charles, that's your point about – it's not creators. It's marketers who succeed. And it's the creators who adopt marketing, who then are the ones that are able to navigate in the platform-based attention economy. But I think that there are other ways, and that's why I don't think we should say helplessness. I think that we should say the people who choose to allow the algorithm to set their feet, they are helpless the same way that the people who signed the record company on the first contract without reading it, they were also helpless, but that there is a role for the creator who is smart, who is strategic, who thinks like an entrepreneur, which is even more than a marketer.

Because you're thinking about of diverse revenue streams. You're thinking about partnerships. You're thinking about all sorts of different ways in which you can make money. And I think that is where the smart people in media are doing well. But to bring this back to where we started in terms of abundance and scarcity, attention is the scarcity. And the paradox is that there's a lot of attention out there. Everyone is consuming constantly, but getting their attention is

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incredibly difficult. And that in it of itself is the job, is the challenge, the mission. And unfortunately, that's where there's a lot of race to the bottom. That's where there's a lot of people using terrible tactics, terrible tricks, terrible judgment, to try to get attention at any means. And I think that's where we have all other salon episodes subject to talk about, but I think that's the challenge. How do you get attention without reverting to the least common denominator, or the most crass, stupid or sensational tactics that you see?

#### **Charles Hugh Smith:**

Go ahead, Mark.

I mean, I was just going to say that's where you you've been Mark. I think you've, to Jesse's point, you've been a positive influence by telling people you've got to have your own platform that you own control. Lock, stock and barrel. And that's, I think, probably a pretty good first step to Jesse's, and I totally agree with you, Jesse. I'm glad you kind of busted me on the galley slave thing because just don't get on the galley. And that really what we're all three of us about; iis trying to in our own way, doing what you just described. Entrepreneurial creativity.

#### **Jesse Hirsh:**

And I would go further don't drink in the same bars as the people who run the galleysbe cause historically, they didnt ask if you want to be on the galley. They got you drunk and kidnapped you on the galley. That's usually how it worked out. So that's why don't go to the party at the influencer's house. You never know where that sort of thing is going to lead.

#### **Charles Hugh Smith:**

Shanghai-ed.

#### **Mark Jeftovic:**

Yeah. Exactly. Took the words right out of my mouth.

I know we we're saying a separate episode but here we are talking about it now. The difference between using these platforms to just sort of almost go fishing in. I tell people these are your tendrils, you're just using these playforms to try to get people back to sort of get into your

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mailing list. Opt into your userbase so that you can directly talk to these people. And there are countless examples of people who have made this transition to this new reality and are doing it well. I mean circling all the way back to Terry McManus, my prof in the Music Industry Arts, I mean, he manages this goth metal band called Birthday Massacre, and they're, they're not signed.

He says they will never get airplay because the name kind of rules them out of that right up from the word go. But they play fairly mid-sized stadiums. They have a following, a big following and they make their living at this. And they have, I guess by now, seven records out. And the way he described it once was brilliant. He said, I'm a shop owner and the Birthday Massacre or my store. He said, I can stand out in front of my shop at all the cars driving by my shop and I can shake my fist at them and yell or, I can get one of those spinny things and I can get people coming into my store and they're going to stick around and stay a while. And then they'll keep coming back if they enjoy the experience. I'm not doing it justice here, but he really made that mental shift and they've done a great job doing it over the years and they prosper and succeed at it.

And I tell Angela – because everybody has frustrations in the field you're in, and she's like looking from the outside to other people who are like: Oh, you know, these people are self independent publishers and they're making \$75,000 a month on Amazon and they're writing five books a year; and I'm like: That's not your style. That's not how you do it. The people who are writing a book a month, it's kind of almost like a chop shop, you know? And some of them, when I started delving into it, realizing there are actually like Kindle content factories where they're creating the persona of an author and these books are being hammered out by ghost writers overseas, and then they're putting out like three books a month and it's just almost the same as creating a high traffic squeeze page website for an affiliate deal. It's no different, right?

#### **Jesse Hirsh:**

And yet there are millions upon millions of people wondering what the hell is George RR Martin doing? When is he going to ever finish that blasted Winds of Winter?

#### **Mark Jeftovic:**

I know, I know.

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**Jesse Hirsh:**

It's just one guy writing one book that is taken well over a decade. There's so many people going: He's going to die before he finishes that book.

Here's the deal. And to your point, you've got other people turning out multiple books a month. Like what a contrast all within the same thing that is called an industry, but is arguably completely different business operations and value propositions.

**Mark Jeftovic:**

And I think time will tell the difference between somebody who's running a Kindle content factory. It's like: Will any of these titles be remembered in three years, five years? Fifty years?

**Jesse Hirsh:**

That's not the point. They have no desire to be remembered. They have no desire to make money. And if they're doing that, then clearly they're onto something. Yeah.

**Mark Jeftovic:**

Yeah, If that's your motivation.

Yeah, go ahead, Charles.

**Charles Hugh Smith:**

Well, I'm gonna kind of end I think my comment or whatever, kind of contribution on bringing to mind – what you were talking about Mark and the topic Jerry Garcia of the Grateful Dead famously said that you don't want to be the best at what you do. You want to be the only one doing what you do. And of course the Grateful Dead was the classic example of that. They encouraged all their audience to record every live show and so on and so forth. And so –

**Jesse Hirsh:**

And every live show was different.

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**Charles Hugh Smith:**

Yeah. Yeah. Absolutely. And of course, then fans were constantly swapping tapes and all this other kind of stuff. And of course, I don't think the Grateful Dead became billionaires like a Paul McCartney or Mick Jagger or whatever. They didn't have that. But that was not their goal – to Mark's point right now, but they certainly made a living and and and carved down a tremendous – I don't know – cultural footprint. Yeah.

And so anyways, to me, that's been one of the driving ideas behind my work is always try to not be the best blogger, but just the only one doing whatever the heck I'm doing, you know? And of course that's no key to success. That doesn't mean you open the golden door like we're talking about, but you can at least live with yourself. And there's some value to that too.

**Mark Jeftovic:**

Well that's the reason I could never bring myself to do a VC deal and to just be another company that was like: Okay, now I'm on this path. Now I've got to do an operound, and in 18 months and another operound in two years, and another operound in five years; and then I've got to have an exit because I don't know what I'm going to do after this job. I haven't done anything else for over 20 years. So what's the point of exiting. So it's the similar kind of thing that everybody else is telling you. This is the way the industry works now, but it doesn't have to work that way. You don't have to take that road. And to the Grateful Dead, they may not have been billionaires, but I think they made a living at it. They did okay.

**Jesse Hirsh:**

They lived a good life.

**Mark Jeftovic:**

Yeah. No regrets probably by the end of it.

**Jesse Hirsh:**

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I mean, the sad part is hit that thumbs up, post a comment, share this video with your friends; because no matter what we talk about in the last hour, fundamentally, it all comes down to some rotten down room that stands between us and a greater audience. And that's where we need you, dear watcher or listener, to help us out in tricking, fooling, playing, trolling with that algorithm by pressing all of the buttons many times. Vote early. Vote often.

**Mark Jeftovic:**

And next week we'll bring on a singing monkey, and you know –

**Jesse Hirsh:**

Demoted by a singing. Jeez, Charles, we're clearly not bringing our A-Game. I guess we got to step it up.

**Charles Hugh Smith:**

And also all the latter day, if you want to go ahead and take on a couple of artists and be our patrons, you know –

**Jesse Hirsh:**

My Venmo is listed here. Only fan's address is up here.

**Mark Jeftovic:**

Well, people have started. Maybe the floodgates will open. Cash has been mailed.

**Jesse Hirsh:**

Right.

**Mark Jeftovic:**

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Someone mailed us a crisp a hundred dollar bill. Thank you very much.

Alright, see you guys next week.

**Charles Hugh Smith:**

Okay. Okay.

[song playing: Barracuda by Heart]

[closing theme]

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